



doing business in a
sustainable
way

Asahi Songwon Colors Limited | Annual report, 2011-12

Disclaimer

The disclosures of forward-looking information contained in this annual report are made to enable investors to comprehend the prospects and make informed investment decisions. This report and other statements – written or oral – may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. Maximum effort has been made to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. However, the entire realization of these forward-looking statements cannot be guaranteed, although the assumptions have been prudent enough to rely upon. The achievement of results is subject to risks, uncertainties and unforeseen events. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. The management does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future event or otherwise.

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The global pigments industry grew 4% in 2011-12; Asahi Songwon's revenues grew 27%.

Even as some Indian and global pigment manufacturers reported a decline in profits due to the slowdown in 2011-12, Asahi Songwon strengthened its profit before tax by 48.03%.

The Company outperformed its industry average by investing in products, processes, systems and culture to strengthen its long-term business sustainability.



Asahi Songwon Colors Limited is more than just one of India's largest pigment manufacturers.

The Company is one of the most competitive global pigment manufacturers. Leveraging size, competence, quality and customer selection.

The Company generates 78% of its revenues through exports, servicing the growing needs of some of the largest global downstream customers.

Legacy

Asahi Songwon Colors Limited (ASCL) is India's leading pigment manufacturer. Promoted in 1990 by serving founder and Chairperson Mrs. Paru M. Jaykrishna, the Company is managed by Gokul and Munjal Jaykrishna.

Business

- ASCL is engaged in the manufacture of phthalocyanine pigments (colorants). The Company's product basket comprises Green-7, Beta Blue and CPC Blue Crude.
- The Company commissioned green pigment Green-7 (Current capacity- 1440 tonnes per annum) at Kadi in 1994. The Company added a plant in Vadodara in 2005.
- The Company possesses a consolidated manufacturing capacity of 12840 TPA to be expanded to 15500 TPA in the near future.

Certifications and awards

- The Company's plants are certified for ISO 9001:2008 and ISO 14001:2004, complying with sound health, safety and environmental policies.
- Awarded for outstanding export performance by GDMA for four years.
- Awarded for 'Outstanding performance in the export of dye and dye intermediaries' by CHEMEXCIL for three years.
- Awarded for 'Excellent export performance' in the Category of Export House by FIEO in 2000-01.
- Awarded in 2008 as 'Emerging SME' across all sectors in India by Dun and Bradstreet and Fullerton India.
- Awarded in 2008 for SME Awards in the chemical and petrochemical sectors by Dun and Bradstreet and Fullerton India.
- Conferred the International Trade

Award in chemical category by DHL-CNBC TV 18 in 2009.

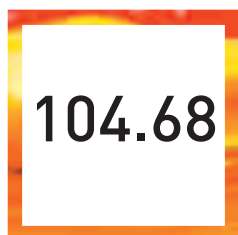
- Conferred the International Trade Award in Chemical category by DHL-CNBC TV18 in 2010-11.

Clients

The Company's brand-enhancing clientele comprises global players like DIC (Japan), Sun Chemicals (USA), Clariant (Korea) and BASF (Germany).

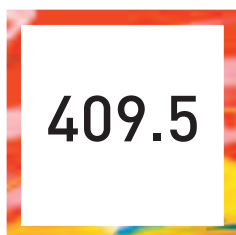


Market capitalisation
(Rs. cr)



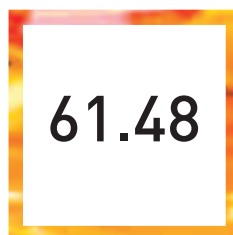
As on March 31, 2012

Market capitalisation
growth [%]



From 2009 to 2012

Promoters' holding
[%]



As on March 31, 2012

Global market share
[%]



As on March 31, 2012

On the shop floor

- Commissioned a research and development centre approved by Ministry of Science and Technology, Government of India,

In the markets

- Increased revenues by 27.01% to Rs. 233.68 cr.

- Expanded our global presence to three new countries (total 23).

For customers

- Strengthened product quality enjoying 10% premium over competitors.
- Invested in a Rs. 0.39 cr R&D facility to enhance quality and accelerate product launches.

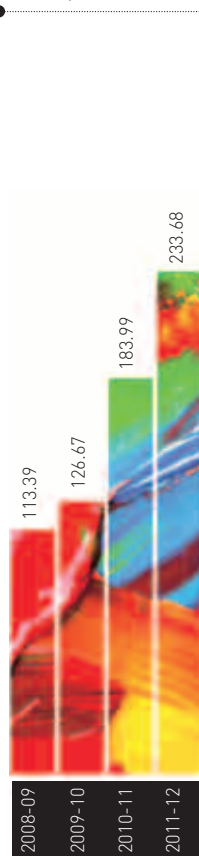
For stakeholders

Paid an interim dividend of Rs. 1.25 per share (face value Rs. 10) and proposed a final dividend of Rs. 2.25 per share.

**Challenging
year. Higher
profits.**

**Tighter
customer
budgets.
Stronger
revenues.**

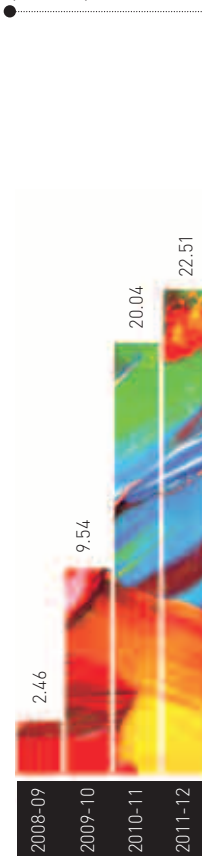
Net sales
(Rs. in cr)



EBITDA
(Rs. in cr)



Profit after tax
(Rs. in cr)



Growth

Revenue
growth
27.01%
Over 2010-11

EBITDA
growth
45.66%
Over 2010-11

Margins

EBITDA
margin
18.35%
in 2011-12

Net
margin
9.63%
in 2011-12

Profit after tax
growth
12.33%
Over 2010-11

Cash profit
growth
13.64%
Over 2010-11

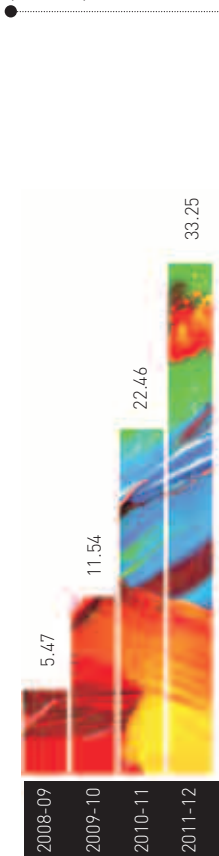
EPS
growth
12.31%
Over 2010-11

Interest
cover
8.75x
in 2011-12

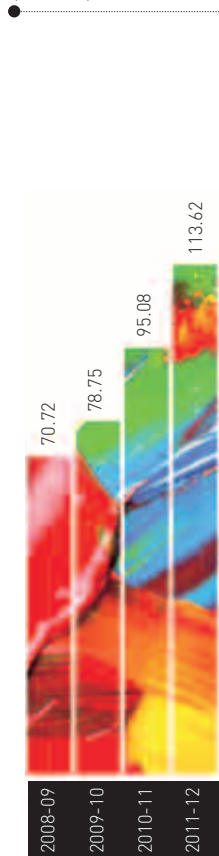
ROCE
22.79%
in 2011-12

PBT
growth
48.03%
in 2011-12

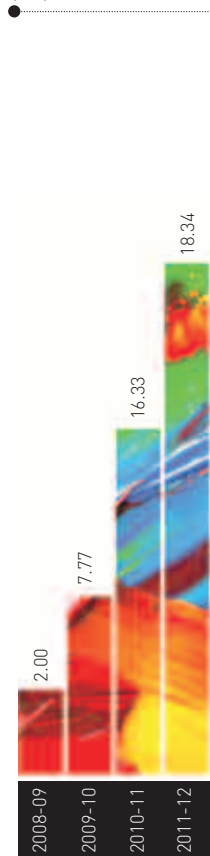
Profit before tax
(Rs. in cr)



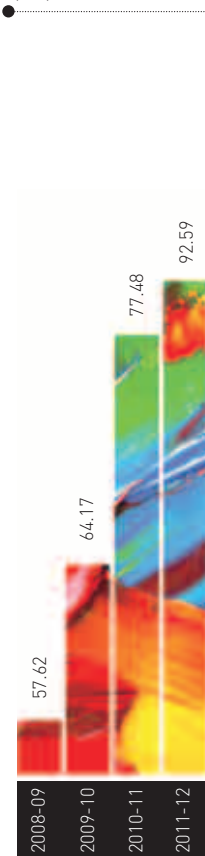
Networth
(Rs. in cr)



Earning per share
(Rs.)



Book value per share
(Rs.)



Cash from operations
(Rs. in cr)





**Sustainability
through an
obsession
with quality**



**Sustainability
through
capacity
expansion**

At ASCL, we manufacture phthalocyanine pigments and variants of the highest quality, reflected in the following achievements:

- **Color strength:** Ranges from 95% to 100%, indicating the increased ability of the pigments to absorb more light wavelengths .
- **Moisture content:** Maximum up to 0.5%, indicating sound product attributes.
- **Temperature:** Stable up to 280 degrees centigrade, coupled with a prudent time-temperature relationship.
- **Light fastness:** Robust permanence, steadfast in light exposure and adequately resistant to chemical properties.

The result is that the Company has been working with some of the largest downstream users. DIC, the multinational corporate with operations in more than 60 countries and territories, has been the Company's customer for six years and accounted for 34% of ASCL revenues in 2011-12; Sun Chemicals, the world's largest producer of printing inks and pigments, has been the Company's customer since 1995 and accounted for 23% of ASCL revenues during the year under review.

The combination of a highly-customised product quality and repeat long-term customer engagements represent the basis of the Company's sustainability.

Pigments cater to the growing downstream needs of the paint, ink, cosmetic, chemical, plastic and textile sectors.

Over the years, ASCL has strengthened its sustainability through product innovation catering to wider applications. The Company's research-led approach widened the product basket from one products in 2005 to more than five products across 16 shades.

The result is that what was a 4680 TPA capacity company in 2005 is now a 12840 TPA organisation with plans to expand

capacity to 15500 TPA in near future. This capacity expansion will reinforce the Company's position as one of India's largest pigment manufacturers, enabling it to service the growing needs of downstream customers (existing and prospective).

The Company is reinforcing its sustainability by funding this capacity expansion through accruals and debt, enhancing shareholder value.

Our business model

ASAHI SONGWON WENT INTO BUSINESS AT A TIME WHEN THE INDIAN PIGMENTS INDUSTRY WAS LARGELY UNORGANISED. THE COMPANY WAS CREATED WITH THE VISION TO INSPIRE STAKEHOLDER TRUST THROUGH CREDIBLE ACTION.

A couple of decades ago, Indian pigment manufacturers were largely unorganised commodity businesses marked by small capacities catering to local customers.

The Company entered the business with the sole objective of creating a niche pigments company addressing the growing needs of international customers. Even in the early days of its

business, Asahi Songwon resolved that it would conduct its business in a manner that would evoke global respect for its plants, products and processes. As a result of this, the Company is now:

- Respected by prospective customers for quality, timely and promised delivery.
- Respected by vendors and

collaborators for its vision, credible practices and financial strength.

- Respected by community stakeholders for environmentally sustainable practices.

- Respected by shareholders for business continuity.

These are some of the priorities that reinforced the Company's sustainability.

